

STATE OF THE NATION

SCDI's Economic Data Briefing

April 2021



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INTEREST RATE **0.1%** Official Bank of England Rate

The **Bank of England has been given a new green mandate by HM Treasury** which will require Threadneedle Street to consider environmental sustainability and net zero in its decision-making and in the setting of monetary policy. It said the reform would change its approach to corporate bond-buying 'to account for the climate impact of the issuers of the bonds we hold'.

The Monetary Policy Committee met on 18 March and voted unanimously to maintain interest rates at 0.1%, a record low, until a strong recovery is underway.

Source: [Bank of England](#), [Bloomberg](#)

INFLATION

UK Consumer Prices Index (CPI) Annual Rate	Feb	Jan	Dec	Nov	Oct
%	0.7%	0.6%	0.3%	0.5%	

Inflation unexpectedly fell to 0.4% in February as clothing prices fell, outweighing a rise in fuel costs. In a sign of the times, the Office for National Statistics has now added hand sanitiser and at-home leisure wear to the basket of goods which it uses to assess changes in prices and the cost of living.

Prices are expected to become increasingly volatile as the UK economy opens up and returns to growth this summer. Changes in demand are causing costs of IT equipment, bicycles and cars to rise, while office clothing falls. The **Bank of England has indicated inflation could surge to its 2% target in the next few months.**

Sources: [Bank of England](#), [Financial Times](#), [Office for National Statistics](#)

PRODUCTIVITY

A new report based on the first Scotland-specific data covering the impact of the pandemic on work patterns suggests that stay-at-home restrictions have transformed employer and employee attitudes to flexible working. Flexibility Works found that flexible working was available to everyone in 4 out of 5 Scottish employers. In addition:

- **61% of workers worked from home at least some of the time**
- 46% worked exclusively from home
- 44% felt trusted by their employer, while 37% felt supported
- 29% changed their working hours around family or caring responsibilities
- 30% reported a better work-life balance
- 31% felt lonely or isolated
- 26% felt more stressed
- 24% found it hard to switch off from work
- 19% worked longer hours
- **19% felt more productive – versus 16% who felt less productive**
- 18% spent more on household bills like gas and electricity
- **Women were more likely than men to report negative impacts of work during lockdown** on their happiness, health and wellbeing and financial security

The Scottish Government has confirmed that it will extend funding for SCDI's pilot peer-to-peer network, Productivity Club Scotland, in Edinburgh and Glasgow for a further twelve months to help more businesses learn from each other and boost their productivity.

Sources: [Flexibility Works](#), [Productivity Club Scotland](#), [Scottish Government](#)

INCLUSIVE GROWTH

Onshore GDP	Scotland
Q3 2020	+15.8%
Q2	-3.3%
Q1	-19.1%

In Scotland, the first wave of lockdowns last spring hit the economy hard. Output fell sharply. GDP contracted by -19.1% in Q1, a record decline. Strong, rapid growth was registered in the summer as restrictions eased and many sectors opened up again. Growth in Q3 surged to +15.8%.

However, the recovery weakened in autumn and winter as lockdowns returned across the country. With restrictions likely to be largely lifted by the end of June, there is optimism that summer 2021 will be the start of a period of a more sustained recovery.

The end of the UK's transition period with the EU has had a severe immediate impact on trade. In January, total UK goods exports fell by £5.3bn or 19.3% due to a £5.6bn or **40.7% fall in exports to the EU**. Total UK goods imports fell by £8.9bn or 21.6% in the same month largely due to a £6.6bn or **28.8% decrease in imports from the EU**. It remains to be seen whether this is a temporary phenomenon, including in the context of COVID-19, or a permanent hit to the internationalisation of the UK economy.

The IMF now forecasts that the global economy, fuelled by COVID-19 vaccines and government stimuli, will grow by 5.5% in 2021 and by 4.2% in 2022. The global economy contracted by around 3.5% in 2020, less than first thought.

Sources: [IMF](#), [Office for National Statistics](#), [Scottish Government](#)

BUSINESS ACTIVITY AND CONFIDENCE

RBS Seasonally-Adjusted Purchasing Managers' Index	Feb	Jan	Dec	Nov	Oct	Sep	Aug
	44.1	33.3	47.3	47.3	43.2	51.2	55.8

After a period of historic volatility, the RBS Purchasing Managers' Index is rising again but continues to indicate a **shrinking private sector in Scotland**. The PMI hit 44.1 in February, well below the 50.1 mark which indicates growth. Manufacturing firms reported a return to growth in February, but the larger Services sector experienced a fall in business activity.

Many Scottish businesses are still battling for survival. **28% of businesses have no or less than 3 months of cash reserves**, as indebtedness also rises. **53% are highly confident they will survive the next 3 months**.

Nevertheless, business confidence in the economic outlook ahead is at its highest level since 2012, fuelled by the successful rollout of COVID-19 vaccines and hopes for a strong summer recovery.

Sources: [Fraser of Allander Institute](#), [IHS Markit](#), [RBS](#), [Scottish Government](#)

CONSUMER ACTIVITY AND CONFIDENCE

SRC-KPMG Retail Sales Monitor	Feb	Jan	Dec
Total Sales Growth	-24.3%	-27.9%	-14.8%
Food Sales Growth	+3.1%	+4.3%	+3.3%
Non-Food Sales Growth	-47.4%	-54.8%	-33.4%

Total retail sales in February in Scotland were nearly a quarter less than compared to the previous year, according to the latest data from the Scottish Retail Sales Monitor. Food sales continued to register growth, but non-food sales again faced heavy falls in volumes as **consumers hold back on non-essential purchases** and non-essential shops remained closed due to pandemic restrictions.

Minimum Unit Pricing has resulted in a 3.5% decline in off-trade alcohol sales per adult in its first year, according to new analysis by Public Health Scotland. Meanwhile, off-trade alcohol sales per adult increased by 2.4% in England and Wales.

Sources: [KPMG](#), [Public Health Scotland](#), [Scottish Retail Consortium](#)

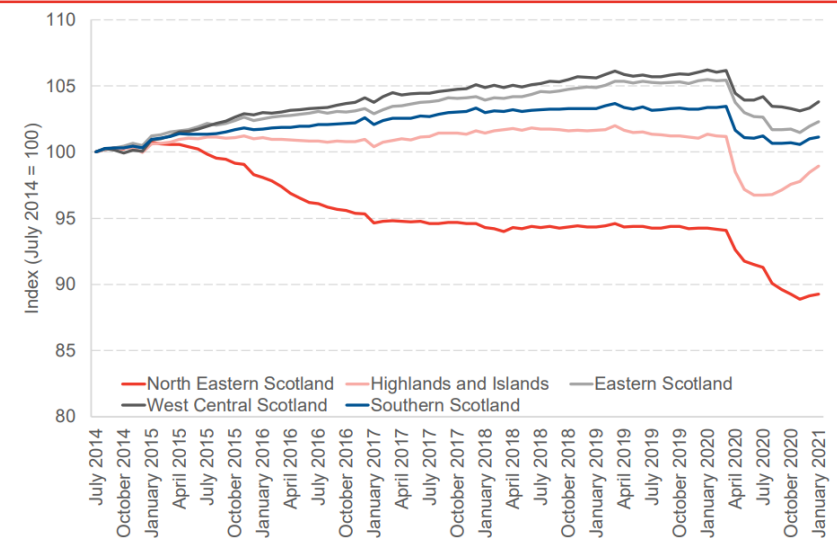
EMPLOYMENT

SCOTLAND	Nov 20- Jan 21	Aug 20- Oct 20	May 20- Jul 20	Feb 20- Apr 20
Economically Active	77.5%	78.2%	77.3%	77.5%
In Employment	74.3%	74.8%	73.4%	73.8%
Unemployed	4.1%	4.2%	4.9%	4.7%
Economically Inactive	22.5%	21.8%	22.7%	22.5%

19% of Scottish workers are on furlough, representing over 600,000 jobs. The sectors with the highest proportion of workers on furlough remain accommodation and food services (63%) and arts, entertainment and recreation (60%). The number of people claiming unemployment benefits is now 86% higher than it was in March 2020, representing 97,000 more people out of work.

The North East has been hit hard. **Levels of payroll employment in Aberdeen and Aberdeenshire are 5.5% lower than a year ago and 9% lower than five years ago**. This means a total of **21,500 jobs have been lost from the North East's economy** since 2016. The data underlines the need for a Just Transition to a Net Zero Scotland to spread the costs and benefits of decarbonisation – especially for communities which have historically been more reliant on jobs in high-emitting industries.

Payroll employment, NUTS2 Regions, Scotland, July 2014 - January 2021



Sources: [Fraser of Allander Institute](#), [Just Transition Commission](#), [Office for National Statistics](#), [Scottish Government](#)

SCDI is an inclusive and independent network of businesses and organisations from all sectors and all geographies of the Scottish economy

Our mission is to help our members grow and to help build a better Scotland

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